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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 000015

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SENSITIVE  
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ISTANBUL PLS PASS TO AMCONSUL ADANA  
EEB FOR A/S SULLIVAN  
EUR FOR DAS BRYZA  
SCA FOR MANN  
DOE FOR HEGBURG  
USTDA FOR DAN STEIN

E.O. 12958: DECL: 01/04/2014  
TAGS: [ENRG](#) [EPET](#) [TU](#) [EINV](#) [IZ](#)  
SUBJECT: TURKISH ELECTRICITY EXPORTS TO IRAQ CUT OVER  
CONTRACT DISPUTES

REF: ANKARA 2870

Classified By: CHARGE NANCY MCELDFOWNEY FOR REASONS 1.4 (B) AND (D)

¶1. (C) Summary. Electricity exports to Northern Iraq by the private Turkish company Karadeniz Toptan Elektik Ticaret (Kartet) were cut on January 2, 2008. As we foreshadowed (ref A) a series of complicated commercial and intergovernmental agreements were not renewed before December 31, 2007, which, along with \$25 million in unpaid bills from 2007, resulted in the power cut off. The next steps to getting the power back on rest with the GOT. The Foreign Trade Secretariat said they have "no objection" to continued electricity exports to Iraq but said they are awaiting an official notification from the Ministry of Foreign Affairs (MFA). We are working with the Ministry of Foreign Affairs (MFA) to expedite their response. End summary.

Current status  
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¶2. (C) Kartet stopped exporting electricity to Iraq on January 2, 2008. In order to resume operation, they must receive heavy fuel oil (HFO) from Iraq as stipulated in a one-month renewal of their contract agreement with the State Oil Marketing Organization (SOMO), which was signed December 31, 2007. In order to import HFO to produce electricity for Iraq, Kartet must receive a license from the Foreign Trade Under Secretariat (FTU). The license procedure requires that FTU review the SOMO-Kartet contract. According to Orhan Cakiroglu, FTU Department Head for Agreements, application for license renewals are usually transmitted through diplomatic channels from the foreign government to the Turkish Ministry of Foreign Affairs, where they are reviewed. If the MFA agrees with the renewal, the licenses are sent to FTU for review and issuance. Customs notification is the last step. According to Kartet, s Istanbul Director Nuray Atacik, this procedure has taken 15 days each year since Kartet began exporting electricity to Iraq in 2003. Cakiroglu declined to say how long the renewal process might take but indicated FTU was not opposed to renewing the license. He did hint that SOMO's 11th-hour renewal of the Kartet contract did not constitute an emergency for FTU.

13. (C) Embassy Baghdad told us that the Iraqi Embassy in Ankara transmitted the SOMO-Kartet agreement to Sevkati Ilgac, Director General for Agreements at the Foreign Trade Secretariat. FTU cannot take action on the license renewal

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without the approval of the MFA. According to Ministry of Foreign Affairs (MFA) Department Head for Energy, Berris Ekinici, the SOMO contract has been received by the MFA and is being reviewed. Ekinici said the contract renewal was "an issue between Kartet and the Ministry and not a straight-forward affair" but declined to give further details. MFA Department Head for Iraq Adin Serger said that the license renewal was "basically a technical issue" but these are unusual times and said there is a "political dimension" as well.

Kartet's basket of other outstanding issues

14. (C) A resolution to the HFO import license issue may not solve the entire problem. Kartet has not received a letter of credit from the Iraqi Ministry of Finance, which assures the GOI undertakes the responsibility to pay Kartet for exported electricity in 2008. The GOI has an unpaid debt to Kartet of \$25 million for 2007 electricity costs. Continued electricity exports to Iraq are a technical and financial decision for Kartet, which is a private Turkish company. Currently, the plant is receiving HFO from a Turkish company, in a separate commercial agreement, and is generating 100 MW for the Turkish electrical grid. Turkey is experiencing electricity shortages which will become more acute in the future. We understand from the Energy Regulatory Commission that Turkey could have as much as 2,000 MW shortfall of electricity in the summer of 2008.

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